

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NSC-05 NSCE-00 FEA-01 FPC-01 SSO-00  
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00  
EB-08 H-01 INR-07 INT-05 L-03 NSAE-00 OMB-01 PM-04  
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07  
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R 121236Z FEB 77  
FM AMEMBASSY ALGIERS  
TO SECSTATE WASHDC 5897

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DEPARTMENT PASS FEA AND FPC

FOR ENERGY COORDINATOR SCHLESINGER FROM AMBASSADOR

E.O. 11652: N/A  
TAGS: ENRG, AG, US  
SUBJECT: ALGERIAN LNG CONTRACTS WITH US

1. IN MY FAREWELL CALLS ON PRESIDENT BOUMEDIENE AND MINISTER ENERGY AND INDUSTRY ABDESSELAM, BOTH STRESSED IN MOST FORCEFUL TERMS NECESSITY FOR EARLY DECISION FROM FPC ON APPROXIMATELY ONE TRILLION CUBIC FEET PER YEAR LNG SALES CONTRACTS TO US FIRMS. ABDESSELAM SAID HE UNDERSTANDS FPC NOW SAYING DECISION (PRESUMABLE ON EL PASO II CONTRACT) CANNOT BE EXPECTED BEFORE END OF YEAR. HE SAID ALGERIA JUST CANNOT WAIT THAT LONG; THEY MUST KNOW BY JUNE, AT LATEST. BOUMEDIENE, ON OTHER HAND, SAID THEY MUST HAVE DECISION THIS YEAR. THESE CONTRACTS INVOLVE BILLIONS OF DOLLARS OF INVESTMENT, AND EVEN MORE OF EXPECTED REVENUES. THEY ARE VITAL TO THE ALGERIAN DEVELOPMENT EFFORT.

2. IN MY REPLY TO BOTH I SAID WE UNDERSTOOD FULLY THEIR DESIRE FOR EARLY ACTION ON THESE CONTRACTS, BUT QUASI JUDICIAL  
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PROCEDURES OF FPC WERE VERY SLOW, EVEN THOUGH ONE FPC OFFICIAL HAD ALLEGEDLY TOLD ALGERIANS ALL AMERICAN COMPANIES HAD TO DO WAS TO PRESS THE RIGHT BUTTON TO SPEED THINGS UP. GIVEN PROCEDURES PROBLEMS IT APPEARED TO BE UNLIKELY THAT CONTRACT X, AS WRITTEN, WOULD BE APPROVED BY JUNE. IT SEEMED TO ME, HOWEVER, THAT ALGERIA'S REAL REQUIREMENT AT THIS TIME WAS FOR THE USG TO

DECIDE HOW MUCH LNG IT WOULD IMPORT FROM ALGERIA AND TO SO INFORM THE GOA. I WOULD UNDERTAKE TO PUT THIS QUESTION BEFORE THE NEW ADMINISTRATION AND TO STRESS THE URGENCY WITH WHICH ALGERIA VIEWED THE MATTER. ABDESSELAM SAID HE WOULD APPRECIATE THIS VERY MUCH, BUT HE ADDED THAT IT STILL WAS IMPORTANT THAT FPC DECISION BE ACCELERATED AS MUCH AS POSSIBLE.

3. COMMENT: WHILE AT FIRST LOOK IT IS DIFFICULT TO UNDERSTAND WHY ALGERIA IS PRESSING SO HARD FOR DECISION ON CONTRACTS FOR GAS DELIVERIES SEVERAL YEARS IN THE FUTURE, THERE ARE AT LEAST TWO BASIC ISSUES INVOLVED WHICH, FOR THE GOA, REQUIRE EARLY RESOLUTION. THE FIRST OF THESE IS FINANCING. FOSTER-WHEELER AND GOA ALREADY HAVE BEGUN SEARCH FOR FINANCING FOR ARZEW III LIQUEFACTION PLANT, FROM WHICH EL PASO II GAS WILL COME. LACK OF FIRM, APPROVED SALES CONTRACTS MAKES TASK OF DEALING WITH INTERNATIONAL BANKER MUCH MORE DIFFICULT. THIS UNDOUBTEDLY IS WHY ABDESSELAM WILL CONTINUE TO PRESS FOR FORMAL FPC DECISION REGARDING EL PASO II CONTRACT. SECOND ISSUE ARISES FROM FACT THAT ALGERIA HAS CONCLUDED SALES CONTRACTS FOR MORE LNG THAN IT WILL PRODUCE, AT LEAST FOR THE NEXT TEN TO FIFTEEN YEARS. THIS MEANS THAT SOME CONTRACTS EITHER WILL HAVE TO BE CANCELLED OR AMENDED TO STRETCH OUT OR DELAY DELIVERIES. I BELIEVE BOTH PRESIDENT BOUMEDIENE AND ABDESSELAM WERE TRYING TO TELL ME THAT THEY PREPARED TO HONOR US CONTRACTS IF WE, ON OTHER HAND, CAN GIVE REASONABLE ASSURANCES THAT WE PREPARED ACCEPT OUR PART OF THE BARGAIN. (ABDESSELAM'S EXACT WORDS WERE, "AS YOU KNOW WE NOW HAVE LIMITED OFFICIAL USE

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CONCLUDED ALL OUR LNG SALES CONTRACTS; THERE WILL BE NO MORE. NOW WE MUST BEGIN TO MAKE CERTAIN DECISIONS REGARDING THOSE CONTRACTS.")

4. AS PRESIDENT CARTER INDICATED RECENTLY, WE NEED AN ENERGY POLICY. IN THE INTEREST OF THE CONSUMER, IF NO ONE ELSE, WE REALLY SHOULD GET OFF THE DIME AND MAKE SOME BASIC DECISIONS ABOUT LNG AND INFORM THE ALGERIANS WHAT THEY CAN EXPECT FROM US. THEY WILL RESPECT OUR DECISION, BUT THEY WILL NOT RESPECT A CONTINUATION OF THE LEISURELY APPROACH WE HAVE FOLLOWED TO DATE. THEY ARE ALREADY IRRITATED; THEY ARE EVENTUALLY GOING TO GET MAD. WHAT WE DECIDE IS NOT AS IMPORTANT TO THEM AS IT IS THAT WE MAKE UP OUR MINDS, SO THEY CAN MAKE THEIR OWN DECISIONS.

5. I HOPE THIS MATTER CAN RECEIVE YOUR EARLY ATTENTION.

PARKER

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Date:** 22 May 2009  
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